

Message Text

PAGE 01 STATE 233184 TOSEC 270427

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ORIGIN SS-14

INFO OCT-01 ISO-00 SSO-00 CCO-00 ONY-00 (ISO) R

DRAFTED BY E:RASORENSEN:PB

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LIMDIS - FOR UNDER SECRETARY ROGERS FROM SORENSON

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SUBJECT: YOUR SPEECH

1. FOLLOWING IS A DRAFT STATEMENT PREPARED BY EB FOR YOU
TO PRESENT AT THE WHITE HOUSE GOVERNMENT BUSINESS WORKSHOP
ON US INTERNATIONAL ECONOMIC POLICIES. THIS STATEMENT IS
IN THE PROCESS OF BEING REWORKED AND POLISHED BY S/P,
SO YOUR VIEWS, COMMENTS AND CHANGES WOULD BE MUCH
APPRECIATED.

2. BEGIN DRAFT STATEMENT. U.S. INTERNATIONAL ECONOMIC
POLICY: THE STATE DEPARTMENT PERSPECTIVE.

3. THE OPPORTUNITIES AND PROBLEMS OF THE CURRENT
INTERNATIONAL ECONOMIC ENVIRONMENT AND THE POLITICAL
CONSIDERATIONS WHICH SO OFTEN ACCOMPANY ECONOMIC
ISSUES IN A HIGHLY INTERDEPENDENT WORLD FORM THE CONTEXT
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PAGE 02 STATE 233184 TOSEC 270427

IN WHICH U.S. FOREIGN ECONOMIC POLICIES MUST BEMADE.
THAT ENVIRONMENT INCLUDES THE FOLLOWING ELEMENTS:

-- TENSION BETWEEN GROWING ECONOMIC INTERDEPENDENCE ON

THE ONE HAND, AND NATIONAL POLITICAL AUTONOMY ON THE OTHER, WITH A NEED FOR NEW ARRANGEMENTS TO ACCOMMODATE BOTH REALITIES;

-- MOUNTING PRESSURE ON GLOBAL RESOURCES AND THE NEED TO MANAGE THEIR PRODUCTION AND DISTRIBUTION TO THE BENEFIT OF PRODUCERS AND CONSUMERS, RICH AND POOR;

-- THE DEMANDS OF THE POORER COUNTRIES FOR A GREATER SHARE OF GLOBAL WEALTH, AND OUR REQUIREMENT TO INSURE THAT ALL COUNTRIES EXPERIENCE GROWTH TOGETHER;

-- PRESSURES ON ALL GOVERNMENTS TO REGULATE ECONOMIC ACTIVITY MORE EXTENSIVELY IN CONFLICT WITH THE NEED TO PRESERVE A DYNAMIC PRIVATE SECTOR;

-- AND THE RISE OF MULTIPLE CENTERS OF POWER AND IDEOLOGY, WITH THE RESULTING NEED TO DEVELOP INTERNATIONAL STRUCTURES THAT ENCOURAGE EFFECTIVE COOPERATION WHILE ACCOMMODATING INCREASED DIVERSITY OF PHILOSOPHY AND ASPIRATIONS.

4. FROM THE ARRAY OF ISSUES ARISING FROM THIS INTERNATIONAL ENVIRONMENT, I WILL COVER FOUR POLICY AREAS WHERE THE UNITED STATES FACES PARTICULAR ECONOMIC CHALLENGES AND WHERE THE STATE DEPARTMENT HAS DEVELOPED A POLICY PERSPECTIVE THROUGH CLOSE ASSOCIATION WITH THE ISSUES AT HAND.

-- FIRST INTERNATIONAL TRADE, WHICH HAS BEEN A DRIVING FORCE IN THE UNPRECEDENTED EXPANSION OF THE LAST THIRTY YEARS, THE KEY ELEMENT OF INCREASED LINKAGE OF NATIONAL ECONOMIES AND A CENTRAL OPPORTUNITY FOR STIMULATING ECONOMIC PROGRESS THROUGH INTERNATIONAL NEGOTIATION.

-- SECOND, INVESTMENT, WHICH IS A CRITICAL COMPONENT IN ACCELERATING PRODUCTIVITY, RAISING LIVING STANDARDS
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PAGE 03 STATE 233184 TOSEC 270427

AND STIMULATING NECESSARY SOCIAL CHANGE.

-- THIRD, NATURAL RESOURCES, INCLUDING FOOD, ENERGY AND COMMODITIES, WHICH CAN EITHER DIVIDE NATIONS ARBITRARILY AS PRODUCERS AND CONSUMERS, HAVES AND HAVE NOTS, OR BRING THEM TOGETHER TO MEET UNIQUE OPPORTUNITIES FOR INTERNATIONAL COOPERATION.

-- AND FOURTH, RELATIONS WITH THE DEVELOPING WORLD, WHICH RAISE THE QUESTION OF THE EFFECTIVENESS OF OUR RESPONSE TO THE MASSIVE TASK OF IMPROVING THE LIVES OF THREE QUARTERS OF HUMANITY.

5. TRADE. U.S. POLICY HAS SHOWN A LONG HISTORY OF SUPPORT FOR A LIBERAL SYSTEM OF INTERNATIONAL TRADE, BELIEVING THAT FREER FLOWS OF GOODS AND SERVICES AMONG

NATIONS WILL ENHANCE THE WELL-BEING OF ALL. IN RECENT TIMES, STRAINS ON THE INTERNATIONAL TRADING SYSTEM IMPOSED BY PROBLEMS WITHIN THE INTERNATIONAL MONETARY STRUCTURE, THE GLOBAL RECESSION RESULTING FROM HIGHER OIL PRICES, AND NATIONS' GROWING APPREHENSION OF THEIR INCREASING DEPENDENCE ON FOREIGN SUPPLIES OF ESSENTIAL PRODUCTS HAVE CREATED THE PRESSURES FOR UNILATERAL, RESTRICTIVE ACTIONS. THE STATE DEPARTMENT HAS PARTICIPATED ACTIVELY IN U.S. EFFORTS TO SUPPORT AND STRENGTHEN THE LIBERAL SYSTEM OF INTERNATIONAL TRADE. THESE EFFORTS INCLUDE:

-- REFORM OF THE INTERNATIONAL MONETARY SYSTEM, CREATING MORE FLEXIBLE EXCHANGE RATE STRUCTURE CAPABLE OF ABSORBING SHOCKS THAT MIGHT OTHERWISE SPUR TRADE RESTRICTIONS;

-- SUPPORT FOR THE TOKYO DECLARATION ON MULTILATERAL TRADE LIBERALIZATION AND PASSAGE OF THE 1974 TRADE ACT; AND

-- A COMMITMENT, AGREED UPON BY ALL OECD NATIONS THROUGH THE SIGNING OF A TRADE PLEDGE, TO REFRAIN FROM UNILATERAL TRADE RESTRICTIONS EXCEPT AS A LAST RESORT. LIMITED OFFICIAL USE
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PAGE 04 STATE 233184 TOSEC 270427

6. THESE ACTIONS HAVE FORMED A SOLID BASIS FOR PROGRESS IN THE CURRENT ROUND OF MULTILATERAL TRADE NEGOTIATIONS. HOWEVER, THE STATE DEPARTMENT FEELS THAT A NUMBER OF ISSUES WILL REQUIRE FURTHER EFFORT.

7. FIRST, WE MUST FIND A WAY TO REMOVE THE IMPASSE BETWEEN THE EUROPEAN COMMUNITY AND THE U.S. OVER TRADE LIBERALIZATION IN AGRICULTURE. WITHOUT PROGRESS ON THIS FRONT, THE NEGOTIATIONS MAY BE JEOPARDIZED.

8. THE MAJOR CHALLENGES IN THE CURRENT MTN, HOWEVER, RELATE TO DEVELOPING COUNTRIES. MEANS MUST BE FOUND TO INTEGRATE THESE NATIONS AS FULL-FLEDGED MEMBERS OF THE GATT TRADING SYSTEM, WITH THE SAME RIGHTS AND RESPONSIBILITIES AS OTHER NATIONS. THIS REQUIRES THAT WE BE PREPARED TO ACCORD SPECIAL TREATMENT TO DEVELOPING NATIONS IN THEIR ACCESS TO OUR MARKETS. IN RETURN, WE SHOULD SEEK RECIPROCAL OBLIGATIONS FROM THEM, PARTICULARLY IN THE AREA OF ACCESS TO SUPPLIES. WE MUST ALSO DEVOTE GREATER ATTENTION TO THE ROLE OF

TEMPORARY QUOTE SAFEGUARD UNQUOTE ACTIONS.

9. INVESTMENT: PRIVATE INVESTMENT HAS BEEN GROWING
EVEN FASTER THAN INTERNATIONAL TRADE. FOR

INDUSTRIAL DEMOCRACIES, IT HAS BEEN A GROWING SOURCE OF
ECONOMIC GROWTH. FOR DEVELOPING COUNTRIES, IT HAS BEEN
THE SINGLE LARGEST SOURCE OF FOREIGN CAPITAL FOR
DEVELOPMENT. THE STATE DEPARTMENT SUPPORTS THE U.S.
POLICY IN FAVOR OF A LIBERAL CLIMATE FOR FOREIGN
INVESTMENT, ONE WHICH AVOIDS EXCESSIVE GOVERNMENT
CONTROL AND INCREASINGLY NATIONALISTIC POSITIONS TOWARD
INCOMING INVESTMENT.

10. TO MAINTAIN A LIBERAL INVESTMENT CLIMATE, HOWEVER,
A FRAMEWORK MUST BE ESTABLISHED WHICH WILL PRESERVE
INTERNATIONAL CONFIDENCE IN THE MULTINATIONAL
CORPORATION; CONFIDENCE WHICH HAS BEEN SHAKEN RECENTLY BY
THE DRAMATIC REVELATIONS OF INSTANCES OF ILLICIT PAYMENTS
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PAGE 05 STATE 233184 TOSEC 270427

AND IMPROPER POLITICAL ACTIVITY ON THE PART OF THESE
CORPORATIONS. IN JUNE, WE ACHIEVED SIGNIFICANT PROGRESS
TOWARD THIS

GOAL THROUGH THE ADOPTION BY THE U.S. AND OTHER OECD MEM-
BERS OF A COMPREHENSIVE SET OF VOLUNTARY GUIDELINES ON
INTERNATIONAL INVESTMENT.

11. THE STATE DEPARTMENT SEES THE NEXT IMPORTANT STEP
IN THIS PROCESS TO BE EXTENDING THIS CONSENSUS ON INVEST-
MENT GROUND RULES TO THE LDC'S. ONE AREA WHERE A BASIS FOR
COMMON ACTION EXISTS IS COLLECTIVE MEASURES TO ELIMINATE
CORRUPT BUSINESS PRACTICES. INTERNATIONAL INVESTMENT
INSURANCE SCHEMES AND, IN THE FINAL RESORT, PROMPT NEGOTIA-
TIONS OF EXPROPRIATION CASES IN ACCORDANCE WITH THE PRE-
CEPTS CONTAINED IN INTERNATIONAL LAW WILL ALSO BE
IMPORTANT IN MAINTAINING OPEN FLOWS OF FOREIGN INVESTMENT.

12. NATURAL RESOURCES: THE POLITICAL AND ECONOMIC ISSUES
RELATED TO GLOBAL NATURAL RESOURCES -- FOOD, ENERGY, AND
COMMODITIES -- HAVE BECOME A MAJOR FEATURE IN OUR INTER-
NATIONAL RELATIONS AND A MAJOR SOURCE OF CONFLICT BETWEEN
THE INDUSTRIALIZED COUNTRIES OF THE NORTH AND THE DEVELOP-
ING NATIONS OF THE SOUTH. THE STATE DEPARTMENT HAS
PARTICIPATED ACTIVELY IN POLICY ISSUES IN ALL NATURAL
RESOURCE FIELDS.

13. IN FOOD, THE U.S. HAS REMOVED ALL CONSTRAINTS ON
DOMESTIC PRODUCTION. WE ARE STRONGLY ENCOURAGING INCREASED
AGRICULTURE IN DEVELOPING COUNTRIES, WITH THE CREATION OF

THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) BEING A MAJOR ELEMENT IN THIS EFFORT. WE HAVE ALSO PROPOSED A SYSTEM OF NATIONALLY HELD, INTERNATIONAL GRAIN RESERVES AND HAVE NEGOTIATED A LONG TERM GRAIN SALES AGREEMENT WITH THE SOVIET UNION TO HELP STABILIZE PRICES IN WORLD MARKETS.

14. IN ENERGY, THE STATE DEPARTMENT FEELS THAT GREATER COOPERATION IS STILL NEEDED BOTH AMONG CONSUMING NATIONS AS WELL AS BETWEEN PRODUCERS AND CONSUMERS. THE INTERNATIONAL ENERGY ASSOCIATION AND THE PARIS DIALOGUE HAVE LIMITED OFFICIAL USE
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PAGE 06 STATE 233184 TOSEC 270427

BEEN ESTABLISHED TO SERVE THESE FUNCTIONS.

15. IN OTHER COMMODITIES, WE HAVE SUPPORTED A COMPREHENSIVE PROGRAM WITH SPECIAL EMPHASIS ON THE NEEDS OF THE DEVELOPING COUNTRIES. OUR APPROACH STRESSES COMPENSATORY FINANCING; LOWERED TRADE BARRIERS, INCREASING INVESTMENT IN PRODUCTION OF RESOURCES IN DEVELOPING COUNTRIES -- THE MAJOR FUNCTION OF THE IRB, STABILIZE EXPORT EARNINGS, AND A WILLINGNESS TO ACTIVELY EXAMINE WAYS TO IMPROVE THE FUNCTIONING OF INDIVIDUAL COMMODITY MARKETS, AND ASSURE RELIABILITY OF SUPPLY.

NORTH-SOUTH ECONOMIC RELATIONS:

16. OVER THE LAST DECADE THE DEVELOPING COUNTRIES HAVE BECOME INCREASINGLY AGGRESSIVE, IN MULTILATERAL FORUMS, DEMANDING BOTH A GREATER ROLE IN THE INTERNATIONAL ECONOMY AND AN INCREASING SHARE OF ITS WEALTH. WITH INCREASED STRIDENCY AND FRUSTRATION WITH WHAT WERE PERCEIVED AS INADEQUATE RESPONSES BY INDUSTRIAL COUNTRIES, HAS COME A GROWING RADICALIZATION OF DEVELOPING COUNTRY PLATFORMS AT THE MULTILATERAL LEVEL. INCREASINGLY DEVELOPING COUNTRIES IN THE UN HAVE PRESSED A PROGRAM WHICH EMPHASIZED RADICAL RESTRUCTURING OF INTERNATIONAL ECONOMIC RELATIONS AND ESSENTIALLY POLITICAL DEMANDS.

17. THE U.S. RESPONSE TO DEVELOPING COUNTRIES HAS BEEN ONE OF INCREASED UNDERSTANDING OVER THE PAST TWO YEARS FOR THE REQUIREMENTS OF ECONOMIC DEVELOPMENT AND RECOGNITION THAT DEVELOPING COUNTRIES HAVE BORNE THE BRUNT OF RECENT ECONOMIC SHOCKS TO THE INTERNATIONAL ECONOMY. TO ALLEVIATE THE FINANCIAL PLIGHT OF DEVELOPING COUNTRIES THE U.S. HAS SUPPORTED EXPANSION OF THE RESOURCES OF EXISTING FACILITIES -- SUCH AS THE WORLD BANK, REGIONAL DEVELOPMENT BANKS, AND THE IMF COMPENSATORY FINANCING FACILITY. WE HAVE ALSO SUPPORTED NEW FACILITIES SUCH AS THE IMF TRUST FUND AND THE NEW INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT. MOREOVER, WE HAVE MADE A MAJOR EFFORT TO ADDRESS DEVELOPING COUNTRIES' CONCERNS ON ISSUES SUCH AS TECHNOLOGY TRANS-

FER AND TRADE LIBERALIZATION. IN SHORT WE HAVE SOUGHT
PRAGMATIC SOLUTIONS TO REAL PROBLEMS, AND WE HAVE ATTEMPTED
TO MAXIMIZE WHEREVER POSSIBLE THE ROLE OF FREE AND OPEN
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PAGE 07 STATE 233184 TOSEC 270427

GLOBAL MARKETS.

18. BUT THE STATE OF NORTH-SOUTH RELATIONS REMAINS UNEASY
AT THIS POINT, AND PERHAPS NO OTHER AREA OF FOREIGN
ECONOMIC POLICY DESERVES GREATER ATTENTION IN THE COMING
YEAR.

19. THE STATE DEPARTMENT FULLY SUPPORTS EFFORTS TO SUS-
TAIN THE MOMENTUM OF THE NORTH-SOUTH DIALOGUE. AT THE
SAME TIME, WE HOPE TO ENCOURAGE A SHIFT IN EMPHASIS IN
NORTH-SOUTH COOPERATION IN FAVOR OF THOSE MECHANISMS -- AID
AND TRADE -- WHERE THE BASIC INTERESTS OF DEVELOPING AND
INDUSTRIAL COUNTRIES COINCIDE. CURRENTLY SOME KEY DEMANDS
OF THE DEVELOPING COUNTRIES IN MULTILATERAL FORUMS ENTAIL
FUNDAMENTAL CHANGES IN THE INTERNATIONAL ECONOMY THAT THE
INDUSTRIAL COUNTRIES DO NOT SEEK. A NETWORK OF COMMODITY
AGREEMENTS, CENTRAL FINANCING FOR THEM, DEBT MORATORIA,
INTERNATIONAL REGULATION OF MULTINATIONAL COMPANIES, ARE
PROBABLY NOT IN THE INTERESTS OF THE U.S. AND MOST INDUS-
TRIAL COUNTRIES. DEVELOPING COUNTRIES THEMSELVES HAVE
THRUST THESE MECHANISMS FOR RESOURCE TRANSFER TO THE FORE
ONLY AFTER FRUSTRATION OF THEIR EXPECTATIONS IN THE AREAS
OF AID AND MARKET ACCESS. YET AID AND TRADE POLICY ARE
CLEARLY THE MORE COST EFFECTIVE MECHANISMS IN TERMS OF
PROMOTING ECONOMIC DEVELOPMENT. AID CAN BE TARGETED TO
KEY SECTORS AND PROJECTS; FREER MARKET ACCESS SPURS SOLU-
TION OF THE FOREIGN EXCHANGE CONSTRAINT ON DEVELOPMENT
PROGRESS. THESE TRANSFER MECHANISMS SHOULD BE REVERSIBLE
IF THE U.S. AND OTHER INDUSTRIAL COUNTRIES INDICATE GREATER
RESPONSIVENESS IN THE AID AND TRADE FIELDS.

20. A CONSTRUCTIVE U.S. NORTH-SOUTH POLICY WHICH IS AT
THE SAME TIME CONSONANT WITH U.S. GLOBAL ECONOMIC INTERESTS
SHOULD, THEREFORE, EMPHASIZE THE AREAS OF AID -- WHICH DOES
NOT CONFLICT WITH OUR OVERALL OBJECTIVES FOR THE GLOBAL
ECONOMY -- AND MARKET ACCESS WHERE LIBERALIZATION REIN-
FORCES U.S. OBJECTIVES FOR A FREER AND LESS INFLATIONARY
INTERNATIONAL ECONOMY.

21. INCREASED AID AND TRADE LIBERALIZATION ARE ALSO MOST
COST EFFECTIVE IN TERMS OF U.S. FOREIGN POLICY INTERESTS.
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PAGE 08 STATE 233184 TOSEC 270427

AID CAN BE TARGETED FOR COUNTRIES AND SECTORS OF MOST
INTEREST TO US. FREER ACCESS TO INDUSTRIAL COUNTRY MAR-
KETS TIES LDC'S MORE CLOSELY TO THE ECONOMIC SYSTEM OF
THE INDUSTRIAL WEST.END DRAFT STATEMENT. ROBINSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 16 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, TEXT, SPEECHES, ECONOMIC PROGRAMS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 20 SEP 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE233184
Document Source: ADS
Document Unique ID: 00
Drafter: E:RASORENSEN:PB
Enclosure: HR-LD
Executive Order: N/A
Errors: n/a
Film Number: D760355-0636
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197609108/baaaeqdy.tel
Line Count: 331
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2004 by CollinP0>; APPROVED <13 AUG 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YOUR SPEECH
TAGS: EGEN, US, UN, (KISSINGER, HENRY A)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006